

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58156

CITY OF MUKILTEO

Snohomish County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: April 18, 1997

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CITY OF MUKILTEO
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

The Honorable Brian Sullivan, Mayor
City of Mukilteo
Mukilteo, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the City of Mukilteo, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 28, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the city's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the city complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance with regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the mayor and city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 28, 1997

CITY OF MUKILTEO
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. City Officials Should Not Grant Extra Compensation After Services Have Been Rendered

Our review of the city's ordinances disclosed the city council authorized extra compensation after services had been rendered which we believe is contrary to provisions of the Washington State Constitution. On September 30th, 1996, the city council passed Ordinance 895 providing one-time, lump-sum payments of \$2,000 each to certain managers who were employed full-time with the city from August 1, 1995, up to and including October 31, 1996. The ordinance also provided a payment of \$12,000 to the city administrator.

The Washington State Constitution, Article II, Section 25 states in part that:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered

Officials provided the additional compensation to encourage the managers continued employment with the city.

Awarding additional compensation for services already rendered results in the unnecessary and improper use of public funds. The city spent more than \$30,000, which we believe was inappropriate, by granting extra compensation to city employees after services had been rendered.

We recommend city officials adhere to the constitutional prohibition of granting extra compensation after services have been rendered.

Auditee's Response

Thank you for the opportunity to respond to your finding. Prior to authorizing the one-time payments to certain management employees, we consulted with legal counsel and reviewed guidelines prepared by the Municipal Research and Services Center of Washington. Literally interpreted, we believe the payments comply with constitutional provisions. In retrospect, the terms of the enabling ordinance could have been improved to provide more substantial consistency with constitutional requirements. In the future, we will carefully review all compensation agreements for clear and substantial compliance with constitutional provisions and eliminate areas of concern.

Auditor's Concluding Remarks

We would like to thank the city's management for their response to our report finding. Based upon the response, we feel that the issue delineated in our report is being addressed. We will review this area in our subsequent audit.

We would also like to take this opportunity to express our appreciation for the assistance and cooperation we received throughout the audit.

CITY OF MUKILTEO
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

The Honorable Brian Sullivan, Mayor
City of Mukilteo
Mukilteo, Washington

We have audited the accompanying general-purpose financial statements of the City of Mukilteo, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The city has excluded the general fixed asset account group and the proprietary fund fixed assets and related depreciation in the accompanying December 31, 1995, balance sheet. This is a departure from generally accepted accounting principles. We were unable to determine the amounts that should be presented for fixed assets and depreciation through other audit procedures. The principal effects of this departure on the financial statements are not reasonably determinable.

The city has accounted for proprietary funds on a modified accrual basis. This is a departure from generally accepted accounting principles, which require that the proprietary fund be accounted for on a full accrual basis. The principal effects of this departure on the financial statements are not reasonably determinable through other audit procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the balances of the general fixed asset account group and the proprietary fund fixed assets and related depreciation, and had we been able to apply other audit procedures to determine the effects of accounting for the proprietary funds on a modified accrual basis, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Mukilteo, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is

presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 28, 1997